

STATE OF MAINE
PUBLIC UTILITIES COMMISSION

Docket No. 99-101

April 30, 1999

NORTHERN UTILITIES, INC.,
Proposed Cost of Gas
Adjustment for the 1999
Summer Period and Annual
Environmental Recovery Cost
Adjustment

ORDER

WELCH, Chairman; NUGENT and DIAMOND, Commissioners

I. SUMMARY

In this Order the Commission approves Northern Utilities, Inc.'s (Northern) proposed Cost of Gas Adjustment (CGA) for the 1999 summer period and its annual Environmental Response Cost Adjustment (ERCA).

II. PROCEDURAL HISTORY

On February 26, 1999,¹ pursuant to 35-A M.R.S.A. § 4703 and Chapter 43(2) of the Commission's Rules, Northern filed its proposed CGA for the 1999 summer period and its proposed change to the ERCA as allowed in Docket No. 98-641. The Commission issued a Notice of Application to intervenors in three prior CGA cases and by publication in newspapers of general circulation in Northern's service area.

The Office of the Public Advocate (OPA) intervened. A preliminary hearing was held on April 8, 1999 at which the Examiner established a schedule for this proceeding.

To investigate these proposed rate changes, the Advisory Staff and OPA issued data requests to the Company on its filing. In addition, the Staff and parties participated in a technical conference on March 25, 1999 during which all issues were discussed.

The Advisory Staff issued a proposed order recommending approval of Northern's proposed CGA order on April 15, 1999. No party filed exceptions to Staff's recommendation.

III. RECORD

¹The Hearing Examiner granted Northern an extension of time from Feb. 15, 1999 to Feb. 26, 1999 to file its proposal.

The record in this proceeding includes all filings, data responses, transcripts, and any other materials provided in this proceeding.

IV. DISCUSSION

A. Proposed Rates

Northern's filing proposes a 1999 Summer Period CGA rate of \$(0.2008) per hundred cubic feet (Ccf) to become effective May 1, 1999. The filing also proposes an ERCA of \$0.0059 per Ccf for residential customers. Due to a computer billing error, Northern failed to apply approved ERC charges to commercial and industrial customers' bills during the first three months of the winter ERCA period. Therefore, it now proposes a summer period ERC charge designed to recover the amount it would have recovered during that time period had the approved charge been applied. Northern reports that the amount of uncollected revenues is approximately \$75,000 but will add an insignificant amount to most commercial and industrial customers' bills. Consequently, Northern proposes an ERCA rate of \$0.109 per Ccf for the Commercial and Industrial customers during the 6-month summer recovery period.

None of our rules governs the treatment of billing errors for non-residential customers.² Nor does Northern have a tariff allowing it to recover unbilled amounts from non-residential customers. See *Central Maine Power Company, Appeal of Consumer Assistance Division Decision #1998-5843 Regarding Linda Dexter -- Goodyear Commercial Tire*, Docket No. 99-140, Order (Mar. 30, 1999). Nevertheless, in this circumstance we will allow the utility to establish a rate for the upcoming 6-month period that is designed to recover the unbilled amounts. We do so for several reasons.

First, the ERCA mechanism is designed to allow Northern to adjust its rate half-way through the recovery year to better target recovery of the precise amount of costs it is allowed to collect during that year. The rate is initially set using a 12-month sales forecast. Six months later, at the time of the summer CGA filing, the Company is allowed to adjust its ERC rate to reflect the actual sales it has experienced during the first six months. In this case, Northern proposes to calculate separately residential and non-residential rates for the second 6-month period so that only those classes of customers who were incorrectly billed during the prior six month period will be impacted by the error. We find this to be an equitable manner of recovering the previously unbilled revenues, as compared to spreading the revenues omitted from commercial and industrial customers bills also over the residential class in an adjusted second 6-month period rate applied to all classes.

²Our rules contain specific provisions for the treatment of utility billing errors for residential service customers, allowing a utility to issue make-up bills for a prior period of up to 12-months to correct billing errors. Ch. 81 § 3(E). However, we have previously determined that the Ch. 81 provision regarding billing errors may not be applied to "fill the gaps" in the non-residential credit and collection rule (Ch. 860). See *Bangor Hydro-Electric Company v. Wooden Boat, Appeal of Consumer Assistance Division Decision #11158*, Docket No. 97-398, Order on Appeal (Oct. 27, 1997) at 7.

Finally, we recognize that the bill impact associated with the unbilled revenues on commercial and industrial customers is on average only about 1.25%. Moreover, because this is a volumetric charge, low usage customers will be impacted proportionately less than high usage customers. In addition, because this impact is so small, it should not present a hardship to commercial and industrial customers. We will also require Northern to add a bill message to its commercial and industrial customers' bills to inform them that their summer period bills include a higher ERC charge to correct the Company's previous billing error and to recover unbilled amounts.

B. Allocation of Pipeline Reservation Charges Between Summer and Winter Seasons

In this CGA filing, as a result of changes in contracted supplies, Northern has reallocated pipeline capacity reservation charges between the summer and winter seasons. This CGA reflects two significant changes in Northern's resource portfolio: the end of Granite State's lease of the Portland Pipe Line and the start of Northern's new contractual pipeline supply arrangement with Portland Natural Gas Transmission System (PNGTS). Under its contract with PNGTS, Northern will be entitled to receive 1,100 Dth/day during the summer months and 33,000 Dth/day during the winter months. Because of this weighting, Northern's pipeline capacity use will closely match the billings during each seasonal period. Consequently, it is not necessary for Northern to reassign other contracted summer period pipeline capacity costs to the winter period to reflect their actual role in Northern's supply portfolio as it has typically done. Northern's pipeline capacity reservation cost allocation appears to be reasonable for purposes of reflecting seasonal costs in rates.

We approve Northern's proposed 1999 Summer Period CGA based on the Advisory Staff's recommendation. We also approve Northern's proposed ERCA rates for both residential and non-residential classes.

Accordingly, we

O R D E R

1. That the CGA rate of \$(0.2008) per Ccf shall take effect for gas consumed on or after May 1, 1999;
2. That Northern's Twenty-ninth Revised Sheet No. 20.1, and Thirty-eighth Revised Sheet 15.1, constituting its Cost of Gas Adjustment for the period May 1, 1999 through October 31, 1999, are approved; and
3. That Northern's Fifth Revised Sheet No. 34.3, Draft 2, the Environmental Response Cost Adjustment tariff, is approved and will become effective May 1, 1999.

Dated at Augusta, Maine this 30th day of April, 1999.

BY ORDER OF THE COMMISSION

Raymond Robichaud
Assistant Administrative Director

COMMISSIONERS VOTING FOR: Welch
Nugent
Diamond

NOTICE OF RIGHTS TO REVIEW OR APPEAL

5 M.R.S.A. § 9061 requires the Public Utilities Commission to give each party to an adjudicatory proceeding written notice of the party's rights to review or appeal of its decision made at the conclusion of the adjudicatory proceeding. The methods of review or appeal of PUC decisions at the conclusion of an adjudicatory proceeding are as follows:

1. Reconsideration of the Commission's Order may be requested under Section 1004 of the Commission's Rules of Practice and Procedure (65-407 C.M.R.110) within 20 days of the date of the Order by filing a petition with the Commission stating the grounds upon which reconsideration is sought.
2. Appeal of a final decision of the Commission may be taken to the Law Court by filing, within 30 days of the date of the Order, a Notice of Appeal with the Administrative Director of the Commission, pursuant to 35-A M.R.S.A. § 1320(1)-(4) and the Maine Rules of Civil Procedure, Rule 73, et seq.
3. Additional court review of constitutional issues or issues involving the justness or reasonableness of rates may be had by the filing of an appeal with the Law Court, pursuant to 35-A M.R.S.A. § 1320(5).

Note: The attachment of this Notice to a document does not indicate the Commission's view that the particular document may be subject to review or appeal. Similarly, the failure of the Commission to attach a copy of this Notice to a document does not indicate the Commission's view that the document is not subject to review or appeal.